

MEMORANDUM

TO: All House Members
FROM: Representative Camille George
DATE: December 30, 2010
SUBJECT: Co-Sponsorship Memo for Natural Gas Severance Tax

The Commonwealth is in the midst of a Marcellus Shale drilling boom. It will be up to us whether this natural resource proves to be a blessing or a curse for the Pennsylvania of today and the Pennsylvania of tomorrow.

Extraction of any natural resource comes at a cost. I have long maintained that Pennsylvanians should not subsidize an industry that is profiting nicely from the estimated 500 trillion cubic feet of gas contained within the shale in Pennsylvania. We also have a responsibility to protect the Commonwealth's citizens during extraction.

Because we must be responsible partners in this energy venture, I am re-introducing a modified version of House Bill 1489 of 2009-10, and invite your support.

I am not tilting at windmills given the political realities in Pennsylvania and last session's inaction on a severance tax. The measure I am drafting addresses a triumvirate of needs directly linked to Marcellus Shale drilling:

1. Paying for local costs stemming from drilling.
2. Environmental safeguards.
3. Infrastructure.

The revamped legislation omits any General Fund appropriations that were included in previous legislation. Instead, the measure would:

-- Devote 10 percent of the proceeds to a restricted PennDOT road and bridge fund. As reported recently, PennDOT is facing up to \$30 million shortfall to repair damages from Marcellus Shale drilling.

-- 20 percent to Pennvest, with the requirement that 100 percent of funding be devoted to wastewater treatment plants, and 50 percent of that funding to wastewater treatment plants that can treat frac water. This funding would be crucial to addressing the EPA mandates facing Pennsylvania as part of the cleanup of the Chesapeake Bay.

-- 6 percent to the Liquid Fuels account that benefits municipalities across the state.

The legislation, whose essence has won support from groups supporting our counties, townships and boroughs, would levy a tax of 30 cents per 1,000 cubic feet of gas

severed, with an adjustment mechanism if gas prices change more than 5 percent annually. It includes a tax credit for companies creating jobs for Pennsylvanians.

The remaining money would be distributed as follows:

- 35 percent to a Local Government Services Account to be distributed among counties, municipalities, and the Pennsylvania Emergency Management Agency.
- 15 percent to the Environmental Stewardship Fund.
- 3 percent to the Conservation District Fund.
- 3 percent to the Pennsylvania Fish and Boat Commission.
- 2 percent to the Pennsylvania Game Commission.
- 2 percent to the Department of Welfare for LIHEAP assistance.
- 2 percent to the Hazardous Sites Cleanup Fund.
- 2 percent to the Oil & Gas Environmental Disaster Recovery Account .

The money from a severance tax will ensure that the costs to the environment and our infrastructure are borne by the industry and not by the taxpayers who otherwise would have to pay for infrastructure damages and environmental problems from drilling.

Implementing a severance tax on natural gas will not make the Commonwealth any less attractive than the 39 other states that currently impose severance taxes. According to projections, Pennsylvania has lost more than \$110 million -- \$11,000 an hour -- by not implementing a severance tax on Oct. 1, 2009.

Sponsors of last session's House Bill 1489 were: GEORGE , LEVDANSKY, BELFANTI, BRENNAN, CARROLL, FREEMAN, GOODMAN, GRUCELA, HORNAMAN, JOSEPHS, MAHONEY, McILVAINE SMITH, MUNDY, MYERS, SIPTROTH, K. SMITH, STABACK, STURLA, J. TAYLOR, YOUNGBLOOD, CURRY, HARKINS, BRIGGS, HANNA, MIRABITO, SEIP, DALEY, KORTZ, KULA and SAMUELSON.

I seek the support of the men and women of the House of Representatives who have the courage to stand up for what is right for Pennsylvania.

If you agree, and would like to cosponsor this legislation, please call my office at 787-7316 or email me at cgeorge@pahouse.net.

CG/mjm